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FROM: MOSCOW

TO: Secretary of State

NO: 2706, MAY 5, 4 PM

San

9:57 AM

PRIORITY

ASSUME PRESS AND RADIO WILL BE CARRYING FULL ACCOUNT OF KHRUSHCHEV'S SPEECH BEFORE SUPREME SOV. HIGHLIGHTS WERE ANNOUNCEMENT GRADUATED REDUCTION INCOME TAX. INCREASE IN VALUE OF RUBLE BY TEN TIMES BEGINNING 1961. EXPLOITATION PRESIDENT'S LETTER ON LENGTH OF ATTENDANCE SUMMIT MEETING AND IN PARTICULAR SUBSTITUTION OF NIXON. AND ALLEGED VIOLATION OF SOV FRONTIERS BY AMERICAN PLANES ON APRIL 9 AND MAY 1. HE STATED PLANE ON MAY 1 WAS SHOT DOWN AND ALTHOUGH PLANE WAS UNMARKED MATERIAL FALLEN INTO SOV HANDS HAD ESTABLISHED IT WAS AMERICAN. AFTER EXPHASIZING EXTREME DANGERS THIS ACTION STATED CASE WAS BEING TAKEN TO SECURITY COUNCIL. AFTER MAKING COMPARISONS WITH SIMILAR GERMAN VIOLATIONS BEFORE LAST WAR HE SAID GOVT CONSIDERED FOR MOMENT THIS WAS NOT PRELUDE TO AGGRESSION BUT COLD WAR ACTION. NEVERTHELESS HE WAS PREPARED ATTEND SUMMIT CONFERENCE AND WOULD GO WITH CLEAN HEART AND BEST PEACEFUL INTENTIONS. HIS STATEMENTS ON THIS INCIDENT AND ON SOV ABILITY DEAL WITH ANY AGGRESSION RECEIVE STRONG VOLUNTARY APPLAUSE FROM AUDIENCE.

THOMPSON

SGC

Note: Mr. Service's office (EUR) informed 11am 5/5/FMR

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